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C O N F I D E N T I A L SECTION 01 OF 02 OTTAWA 000466

SIPDIS

E.O. 12958: DECL: 06/15/2019

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SUBJECT: LIBERAL BRINKSMANSHIP MAY FORCE SUMMER ELECTION

REF: A. OTTAWA 398

[1](#)B. OTTAWA 341

Classified By: PolMinCouns Scott Bellard, reasons 1.4 (b) and (d)

[1](#)1. (C) Summary. The Liberals have demanded greater accountability in the government's June budget update and on its handling of a growing medical isotope shortage in exchange for their votes in favor of the June budget estimates, a confidence vote. The 77-person Liberal caucus appears united in extending this challenge, which the Conservatives seem unlikely to meet to the Liberals' satisfaction. Unless there is a backdoor deal between the Conservatives and the Bloc Quebecois, the government could fall o/a June 19, leaving Canadians to face a federal election o/a July 27, during prime vacation season. This will be another uncharacteristically roller coast week for Canadian politics, with the prospect of a majority government no closer in sight for either the Conservatives or the Liberals. End Summary.

[1](#)2. (SBU) Liberal Party Leader Michael Ignatieff, in a highly anticipated press conference on June 15, failed to live up to his own promise of a "straight up or down" response to the government's June 11 budget update. Instead, he laid down a gauntlet -- of sorts -- by insisting that the government:

- disclose its plans to revise Employment Insurance (EI) now rather than in the fall, as Human Resources Minister Diane Finley has publicly promised;
- clarify how much and what stimulus spending had actually taken place since the budget's passage and how much more and specifically what the public can expect in the next 120 days;
- be more forthcoming about the actual size of the budget deficit and, more importantly, describe its plans to get Canada out of deficit territory once the recession ends; and,
- come up with a plan to meet the growing medical isotope shortage in Canada (and worldwide) given the current shut-down of Canada's Chalk River reactor, which he described as a "public health issue," not partisan politics.

[1](#)3. (SBU) Ignatieff insisted that he was not "seeking" a summer election, nor do Canadians want another election so soon after the October 2008 federal election. He claimed that the Liberals primarily sought to "make Parliament work," which in a minority government situation required cooperation, not "confrontation." He noted -- twice -- that he had not even met Prime Minister Stephen Harper since January, which he called "unusual." He commented that the government's budget update had raised "serious questions" about the government's performance, and called for greater accountability and transparency, accusing the government of "playing with words." He indicated the Liberals' acceptance of the need for a budget deficit "in tough times," but underscored that the government's report no longer even made reference to getting Canada back to a budget surplus within five years, as Finance Minister Jim Flaherty had promised in March. He described the Liberals' role as Official Opposition as "standing up when the government lets people down" and holding the government to account.

14. (SBU) The bottom line, according to Ignatieff, is that the entire 77-person Liberal caucus in the House of Commons -- which had met immediately before the press conference -- will vote against the June budget estimates (by definition, a confidence vote) on June 19, unless the government provides acceptable answers to the Liberals' questions. Ignatieff repeated several times that he would be "reasonable" and said that wanted to promote the better functioning of Parliament, not necessarily to face a summer election. He promised that, Qnot necessarily to face a summer election. He promised that, if PM Harper would provide "honest answers," the two main parties could "work together," and he confirmed that the Liberals might be willing even to compromise on their own proposals for EI reform, which the Conservatives have already rejected as is. He added that the Liberals would also be willing to extend the current session of the Commons beyond June 23 if needed to work on EI, underscoring that Canada's unemployed "need help now."

15. (C) Conservative Party national campaign director Doug Finley told reporters on June 13 -- even before Ignatieff's remarks -- that the chance of a summer election was now at 75 pct. However, Minister of State for Transport Rob Merrifield (former co-chair of the Canada-U.S. Interparliamentary Group) commented to PolMinCouns on June 12 that a summer election was still virtually unthinkable, although the chance of a fall election was 50 pct, and, failing that, 75 pct for an early 2010 election. Liberal Party National Director Rocco Rossi -- while downplaying the likelihood of a summer election -- recently admitted to PolMinCouns that, instead of retiring all of the accumulated party debt after vigorous fundraising so far in 2009, he had instead kept a healthy cash reserve so the Liberals would not have to go back to

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donors again immediately in case of a summer election.

16. (C) Comment: Brinksmanship is clearly the order of the day. Ignatieff knows full well that the Conservatives are unlikely to give in gracefully to Liberal demands (as seemed clear during the surprisingly sedate oral question period in the Commons subsequently on June 15). He now seems intent on an early election in which accountability and transparency -- rather than the Liberals' own economic and fiscal policies, which so far seem in short supply -- would be the Liberals' campaign themes. This could play well into existing negative perceptions of the Conservatives; a recent Nanos Poll found that 65 pct of Canadians could articulate weaknesses of the Conservative government, while only 36 pct could define strengths. PM Harper himself was "twice as likely to be identified as a weakness than as a strength" for his party and government. The Conservatives may have decided that a summer election could work to their own benefit (ref a), or else may be working behind the scenes with the Bloc Quebecois to ensure that the combined votes of the Liberals and the New Democratic Party (which has already pledged to vote against the government) would not be sufficient to bring down the government on the budget estimates or any other no confidence measure the Liberals might come up with on its opposition day on June 19. Should the government fall in the coming week, the election would take place during the last week of July -- prime vacation season for most Canadians. One way or another, this will be another uncharacteristically roller coast week for Canadian politics, with the prospect of a majority government no closer in sight for either the Conservatives or the Liberals.

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